

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1694

Senator Ortiz (As introduced 2/22/00)

Position:

Support, if amended (Staff recommendation)

Proponents:

None known

Opponents:

None known

SUMMARY

SB 1694 allows a member of the California State Teachers' Retirement System (CalSTRS) who becomes employed by the state, and a state member of the California Public Employees' Retirement System (CalPERS) who becomes employed to perform service that is creditable under CalSTRS, to elect to be excluded from membership in the other system, and continue to have his or her service subject to the retirement system of which they currently are a member.

HISTORY

Chapter 954, Statutes of 1975 (AB 1105—Deddeh), allowed state employee CalSTRS members a one-time election of CalPERS membership, in lieu of CalSTRS. This election was deemed necessary due to the Total Equivalent Compensation (TEC) Act of 1974, which established additional benefits for state employees covered by CalPERS. This one-time election was the alternative provided to those members who requested benefit parity after the passage of the TEC.

AB 2916 (O'Connell, 1994), vetoed by the Governor, would have provided certain CalSTRS members who are subsequently employed to perform service with specified state agencies to elect to remain in CalSTRS. The Governor's veto message stated the bill would have inequitably provided a more costly benefit to a select group of employees and should be subject to collective bargaining.

Chapter 838, Statutes of 1997 (SB 227—Solis) permitted vested CalSTRS members who were employed by a community college district and who subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that require membership in a different public retirement system (e.g., CalPERS) to elect, in writing within 60 days after the individual's entry into the new position, to remain in CalSTRS.

CURRENT PRACTICE

A school employee who is a member of the CalSTRS Defined Benefit (DB) Program and who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in another public retirement system (e.g. CalPERS) may elect to have that service in the new position covered under the DB Program. Alternatively, a school member of CalPERS who changes jobs and performs service which is creditable under the DB Program may elect to have such service credited under CalPERS.

This CalSTRS-CalPERS election initially was a reciprocal provision that was available to employees who change employment in positions only within the California local public school system. This changed with Chapter 838, Statutes of 1997 (SB 227—Solis), which allowed a vested CalPERS member who was employed by the Board of Governors of the California Community Colleges and who subsequently was employed by a community college district to perform duties that required membership in a different public retirement system (e.g. CalSTRS) to elect in writing within 60 days after the individual's entry into the new position to remain in CalPERS. It also permitted a vested CalSTRS member who subsequently was employed by the Board of Governors to elect to remain in CalSTRS. Chapter 838 also authorized the member to elect by March 1, 1998 to return to CalSTRS, provided the change in employment occurred between July 1, 1991 and January 1, 1998, and that CalPERS transferred to actuarial value of assets in the member's account to CalSTRS.

DISCUSSION

SB 1694

- Allows a *CalSTRS* member who becomes employed by the state in CalPERS-covered work to elect to remain a *CalSTRS* member, instead of becoming a CalPERS member;
- Allows a CalPERS member employed by the state, who becomes employed to perform *CalSTRS*-covered work, to elect to have that subsequent work credited with *CalPERS*;
- Specifies that the election is effective as of the first day of employment in the position that qualified the member to make the election;
- Deletes provisions excusing CalPERS of the requirement to notify potentially eligible members.

Permitting CalSTRS members to earn CalSTRS service credit by working for the state, even if not in an education-oriented agency, would be a departure from the traditional mission of CalSTRS, which is to provide retirement benefits to employees of public education agencies. Last year, the Teachers' Retirement Board (Board) sought and obtained amendments to AB 596 (Honda), which would have permitted CalSTRS members to purchase service in the Peace Corps, even if the service was unrelated to teaching. If the Board desires to retain that policy, the bill should be amended to limit the ability of CalSTRS members to earn CalSTRS service for state employment to service that occurs in an education-oriented agency.

FISCAL IMPACT

Benefit Program Costs – Any change in liability would depend on which retirement system members elected to participate in. Any increase in liability to CalSTRS, however, would be offset by increases in contributions.

Administrative costs – Minor, if any impact.

RECOMMENDATION

Support, if amended to restrict the ability of a CalSTRS member to elect continued coverage under CalSTRS to members who are employed in education-oriented state agencies. SB 1694, if amended, would extend to state employees an opportunity given to employees of other public education agencies to elect to stay with their retirement system, or change to another.